



Dan Bucks
Director

Montana Department of Revenue

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Brian Schweitzer
Governor

August 21, 2007

Ravalli County Commissioners

County Commissioners
County Treasurers
County School Superintendents

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RE: Update on of Centrally Assessed Companies Property Tax Protests

Dear County Officials:

The Department of Revenue understands the importance and impact to local governments due to the centrally assessed company property tax protests. Because of this we want to do as much in the way of providing you updates on these appeals as soon as possible. This correspondence is to provide you with another update on the status of three of the appeals.

Early this month, the State Tax Appeal Board (STAB) issued a decision in the matter of *PacifiCorp v. Department of Revenue of the State of Montana*; STAB No. CT-2005-3. The appeal involved billions of dollars in value and had very large tax implications. The issues included a challenge to virtually all of the state's appraisal methods and ultimately the conclusion of the state's determination of PacifiCorp's market value.

The decision was nearly 40 pages long, and the final conclusions upheld the department's values and methodologies. PacifiCorp has 60 days to appeal STAB's decision to District Court. Although the taxpayer has this right to appeal the decision, we feel it is a major step forward in resolving this case and reaffirming the state's methods of appraisal for other centrally assessed appeals. If you are interested in reading the decision it can be downloaded from STAB's website by following this link: <http://stab.mt.gov/pdf/pacificorp.pdf>.

Other cases that have been working their way through the appeal process include PPL Montana and Omimex Canada, Ltd. In the PPL Montana appeal the department's positions have mostly been upheld by STAB and District Court. The PPL Montana appeal seems to be coming to a conclusion as it was heard before the Montana Supreme Court on June 13, 2007. We would anticipate the Supreme Court issuing a decision within the next year.

The department's position in Omimex Canada appeals has been upheld at the District Court. Omimex Canada has appealed the District Court's decision to the Supreme Court. At this time the Supreme Court has not scheduled any action on this case.

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The STAB and District Court's decision in these appeals are key in upholding the State's position in determining which properties should be centrally assessed, affirming the department's appraisal methods and addressing equal treatment among taxpayers.

We also wanted you to be aware that besides focusing our efforts on defending our appraisals, we also introduced in the 2007 Legislative Session a no risk solution for local governments to address the protested tax dilemma. Unfortunately, the department's proposal received stiff opposition from the Montana County Treasurers Association, Montana Taxpayers Association, Montana Chamber of Commerce and Northwestern Energy. The legislation did receive support from MEA-MFT and the Montana School Board Association who recognized the legislation as a viable solution.

If you would like to discuss this topic, please stop by and see me at the department's booth at MACO's Annual convention or contact me at 444-0908.

Sincerely,

A handwritten signature in black ink, appearing to read "Eugene Walborn", with a stylized flourish at the end.

Eugene Walborn
Business and Income Taxes Division Administrator

cc: Dan Bucks, Director
David Hunter, Deputy Director
Randy Wilke, PAD Administrator